

**UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION**

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In re:	)
	) Chapter 11
	)
COMPUTE NORTH HOLDINGS, INC., <i>et al.</i> , <sup>1</sup>	) Case No. 22-90273 (MI)
	) (Jointly Administered)
Debtors.	)
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**PERIODIC REPORT  
PURSUANT TO BANKRUPTCY RULE 2015.3**

Pursuant to rule 2015.3 of the Federal Rules of Bankruptcy Procedure, Compute North Holdings, Inc. and its affiliated debtors in the above-captioned chapter 11 cases (collectively, the “Debtors”) submit this report (this “Periodic Report”) on the value, operations, and profitability, as of September 22, 2022, of certain non-debtor entities in which one or more Debtors hold a substantial or controlling interest as of the date of this Periodic Report (the “Controlled Non-Debtor Entities”). This Periodic Report has been prepared solely for the purpose of complying with the Federal Rules of Bankruptcy Procedure. This Periodic Report includes those Controlled Non-Debtor Entities which are directly owned by one or more of the Debtors.

The following exhibits are attached hereto:

<b>Exhibit A</b>	Debtors’ Direct Interest in the Controlled Non-Debtor Entities
<b>Exhibit B-1</b>	Balance Sheet for Controlled Non-Debtor Entities as of September 22, 2022
<b>Exhibit B-2</b>	Statements of Operations for the Controlled Non-Debtor Entities for the Twelve Months Ended September 22, 2022
<b>Exhibit C</b>	Description of Operations for the Controlled Non-Debtor Entities

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number, include: Compute North Holdings, Inc. (4534); Compute North LLC (7185); CN Corpus Christi LLC (5551); CN Atoka LLC (4384); CN Big Spring LLC (4397); CN Borrower LLC (3593); CN Colorado Bend LLC (4610); CN Developments LLC (2570); CN Equipment LLC (6885); CN King Mountain LLC (7190); CN Minden LLC (3722); CN Mining LLC (5223); CN Pledgor LLC (9871); CN Wolf Hollow LLC (7889); Compute North Member LLC (8639); Compute North NC08 LLC (8069); Compute North NE05 LLC (3478); Compute North NY09 LLC (5453); Compute North SD, LLC (1501); Compute North Texas LLC (1883); Compute North TX06 LLC (5921); and Compute North TX10 LLC (4238). The Debtors’ service address for the purposes of these chapter 11 cases is 7575 Corporate Way, Eden Prairie, Minnesota 55344.

<b>Exhibit D</b>	Description of Claims Between the Controlled Non-Debtor Entities
<b>Exhibit E</b>	Description of Controlled Non-Debtor Entity's Payments of Administrative Expenses or Professional Fees Otherwise Payable by a Debtor

The undersigned, having reviewed the attached exhibits and this Periodic Report, and being familiar with the Debtors' financial affairs, verifies under the penalty of perjury that this Periodic Report is complete, accurate, and truthful to the best of his knowledge.

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Date: November 18, 2022

/s/ Harold Coulby

Name: Harold Coulby

Chief Financial Officer

## **GENERAL NOTES**

### **Description of these Chapter 11 Cases**

On September 22, 2022 (the “Petition Date”), the Debtors commenced with the United States Bankruptcy Court for the Southern District of Texas (the “Court”) voluntary cases under chapter 11 of the United States Code (the “Bankruptcy Code”). The Debtors are authorized to continue operating their businesses and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On September 23, 2022, the Court entered an order authorizing the joint administration of these cases pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. On October 6, 2022, the United States Trustee for the Southern District of Texas (the “U.S. Trustee”) appointed an official committee of unsecured creditors pursuant to section 1102(a)(1) of the Bankruptcy Code. Additional information about these chapter 11 cases, court filings, and claims information is available at the Debtors’ restructuring website: <https://dm.epiq11.com/case/computenorthholdings>.

### **Financial Statements**

The financial statements contained herein include the results of those entities in which the Debtors hold a direct or indirect substantial and controlling interest as of this date of the Periodic Report. The financial statements are unaudited, limited in scope and do not fully comply with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The financial statements have been derived from the books and records of the Debtors and the Controlled Non-Debtor Entities. If U.S. GAAP procedures had been applied in full, the Debtors believe that the financial information could be subject to changes and these changes could be material.

Although the Debtors’ management made reasonable efforts to ensure that the financial information is accurate and complete based on information that was available to them at the time of preparation, subsequent information or discovery may result in material changes to the information. Notwithstanding any such discovery, new information, or errors or omissions, the Debtors do not undertake any obligation or commitment to update this Periodic Report. Nothing contained in this Periodic Report shall constitute a waiver of any rights of the Debtors, including the right to amend the information contained herein.

The financial information disclosed herein was not prepared in accordance with federal or state securities laws or other applicable non-bankruptcy law or in lieu of complying with any periodic reporting requirements thereunder. Persons and entities trading in or otherwise purchasing, selling, or transferring the claims against or equity interests in the Debtors should evaluate this financial information in light of the purposes for which it was prepared. The Debtors are not liable for and undertake no responsibility to indicate variations from securities laws or for any evaluations of the Debtors based on this financial information or any other information.

The results of operations contained herein are not necessarily indicative of results that are expected from any other period and may not necessarily reflect the results of operations or financial position of the Controlled Non-Debtor Entities in the future. Further, this Periodic Report is limited in scope, covers a limited time period, and has been prepared solely for purposes of fulfilling the

requirements of Bankruptcy Rule 2015.3. Given, among other things, the uncertainty surrounding the realization, measurement, and ownership of certain assets and the valuation and nature of certain liabilities, to the extent that a Controlled Non-Debtor Entity shows more assets than liabilities, this is not an admission that the Controlled Non-Debtor Entity was solvent on the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other information included in this Periodic Report. Likewise, to the extent that a Controlled Non-Debtor Entity shows more liabilities than assets, this is not an admission that the Controlled Non-Debtor Entity was insolvent on the Petition Date or at any time prior to the Petition Date, including the date as of or for the period of any financial statements or other information included in this Periodic Report.

The balance sheets and statements of income have been included for the Controlled Non-Debtor Entities to the extent available on a basis consistent with the Debtor's consolidated financial statements. The Debtors are not the record keepers for certain Controlled Non-Debtor Entities, such as Marathon Compute North 1 LLC ("MARA – CN 1") and ZG Compute Management LLC ("ZG Compute"). Ownership agreements for certain Controlled Non-Debtor Entities report results annually or have no reporting requirements. The Debtors have reported the balance sheets and statements of income for the Controlled Non-Debtor Entities for the periods as provided in normal course reporting cadence. The Debtors have reported financial results through the fiscal period end date to the extent that the information was reported in normal course.

### **Intercompany Transactions**

Compute North Holdings, Inc. and its affiliates have historically engaged, in the ordinary course of their businesses, in routine business transactions with each other resulting in intercompany receivables and payables.

### **Goodwill**

Goodwill represents the excess of cost over fair value of the assets and liabilities of businesses acquired. Goodwill is not amortized but is subject to periodic reviews for impairment at a reporting unit level.

### **Current Values**

The Debtors do not maintain fair market value or other bases of valuation for the Controlled Non-Debtor Entities, which may differ substantially from the net book value of these the Controlled Non-Debtor Entities.

### **Reservation of Rights**

Nothing contained in this Periodic Report shall constitute a waiver or admission by the Debtors in any respect, nor shall this Periodic Report or any information set forth herein waive or release any of the Debtors' rights with respect to these chapter 11 cases, or their estates, including with respect to, among other things, matters involving objections to claims, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of contracts, assumption or

rejection of contracts under the provisions of chapter 3 of the Bankruptcy Code and/or causes of action under the provisions of chapter 5 of the Bankruptcy Code or any other relevant applicable laws to recover assets or avoid transfers. The Debtors are reviewing the assets and liabilities of their affiliates on an ongoing basis, including without limitation with respect to intercompany claims and obligations, and nothing contained in this Periodic Report shall constitute a waiver of any of the Debtors' or their affiliates' rights with respect to such assets, liabilities, claims, and obligations that may exist.

### **Currency**

The amounts herein are presented in United States dollars.

### **TZRC LLC (“TZRC JV”)**

The Debtor entity CN Member LLC has a fifty percent interest in TRZC JV. The Debtors are the record keeper for this entity. No operations or investments were made for TZRC JV until 2022. Thus, there are no financials to report for the 2021 fiscal year.

### **MARA – CN 1**

The Debtor entity Compute North LLC has a forty percent interest in MARA – CN 1. The Debtors are not the record keeper for this entity. There has been no activity since the inception of this entity. Therefore, there are no amounts to report on Exhibit B-1 and Exhibit B-2. All amounts are listed as zero throughout the schedules. This entity and another entity that Compute North LLC has an eighteen percent interest in, Marathon Compute North 2 LLC, have not had any financial or investment activity since inception.

### **ZG Compute**

The Debtor entity Compute North LLC has a twenty percent interest in ZG Compute. The Debtors are not the record keeper for this entity. The Debtors only have access to ZG Compute's K-1 on an annual basis, allowing limited access to the Controlled Non-Debtor Entity's financial statements. Amounts are shown as of the fiscal year ended in 2021. Other Income/Loss estimated based on tax filings reported gross revenue and net income.

**EXHIBIT A****Debtors' Interest in Controlled Non-Debtor Entities**

<b>Non-Debtor Entity</b>	<b>Interest of the Estate</b>	<b>Entity Owning Direct Interest</b>
TZRC JV	50.0%	Compute North Member LLC
MARA - CN 1	40.0%	Compute North LLC
ZG Compute	20.0%	Compute North LLC

**EXHIBIT B-1****Balance Sheet as of September 22, 2022 for Controlled Non-Debtors Entities**

	TZRC JV		MARA - CN 1		ZG Compute	
	2022 Year-to-Date	Fiscal Year 2021 ("YTD-22")	YTD-22	FY21	YTD-22	FY21
		("FY21")				
<b>Assets:</b>						
Cash	15,168,992	-	-	-	-	-
Restricted Cash	-	-	-	-	-	-
Digital Currencies	-	-	-	-	-	-
Accounts Receivable, Net	-	-	-	-	-	-
Hardware Deposits	-	-	-	-	-	-
Prepaid expenses and other current assets	39,049	-	-	-	-	-
Intercompany receivable (payable)	(719,948)	-	-	-	-	-
<b>Total Current Assets</b>	<b>14,488,094</b>	-	-	-	-	-
Operating Lease ROU	649,899	-	-	-	-	-
Finance lease ROU asset	-	-	-	-	-	-
Property and equipment, net	230,190,190	-	-	-	-	-
Deferred tax asset, net of valuation allowance	-	-	-	-	-	-
Other non-current assets	25,700,000	-	-	-	-	-
<b>Total Assets</b>	<b>271,028,183</b>	-	-	-	-	-
<b>Liabilities &amp; Stockholders' Equity</b>						
<b>Liabilities</b>						
Current Liabilities						
Accounts payable	2,002,914	-	-	-	-	-
Accrued expenses and other current liabilities	4,480,295	-	-	-	-	-
Deferred revenue - current	14,006,546	-	-	-	-	-
Income tax payable	-	-	-	-	-	-
Operating Lease Liabilities - Current	348,486	-	-	-	-	-
Current finance lease liability	-	-	-	-	-	-
Current Portion of LT Debt	-	-	-	-	-	-
<b>Total Current Liabilities</b>	<b>20,838,242</b>	-	-	-	-	-
Non-Current Liabilities						
Deferred revenue - non-current	8,847,800	-	-	-	-	-
Operating Lease Liabilities - Non Current	362,102	-	-	-	-	-
Long-term debt	-	-	-	-	-	-
Deferred tax liability	-	-	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>9,209,902</b>	-	-	-	-	-
<b>Total Liabilities</b>	<b>30,048,144</b>	-	-	-	-	-
<b>Stockholders' Equity</b>						
Members' Equity	240,980,039	-	-	-	-	-
<b>Total Stockholders' Equity</b>	<b>240,980,039</b>	-	-	-	-	-
<b>Total Liabilities and Stockholders' Equity</b>	<b>271,028,183</b>	-	-	-	-	-

**EXHIBIT B-2****Statement of Operations for the Controlled Non-Debtor Entities for the Year-to-Date Period Ended September 22, 2022**

	TZRC JV		MARA - CN 1		ZG Compute	
	YTD-22	FY21	YTD-22	FY21	YTD-22	FY21
<b>Revenues:</b>						
Colocation services and mining revenue	3,652,104	-	-	-	-	-
Hardware and other revenue	-	-	-	-	-	14,611
<b>Total Revenues</b>	<b>3,652,104</b>	-	-	-	-	<b>14,611</b>
<b>Operating Expenses:</b>						
Cost of colocation services and mining revenue	4,122,138	-	-	-	-	-
Cost of hardware and other revenue	52,687	-	-	-	-	-
Sales and marketing	86,388	-	-	-	-	-
General and administrative	374,279	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>4,635,492</b>	-	-	-	-	-
<b>Gross Profit</b>	<b>(983,388)</b>	-	-	-	-	<b>14,611</b>
<i>Other income (expense), net</i>						
Gain on digital currencies, net	-	-	-	-	-	-
Interest expense, net	-	-	-	-	-	-
Other income/loss	(32,780)	-	-	-	-	(17,502)
<b>Income (loss) before taxes</b>	<b>(1,016,168)</b>	-	-	-	-	<b>(2,891)</b>
Income Tax Expense	-	-	-	-	-	-
Equity earnings in affiliates, net of tax	-	-	-	-	-	-
<b>Net income (loss)</b>	<b>(1,016,168)</b>	-	-	-	-	<b>(2,891)</b>
Less: income (loss) from Noncontrolling interests	-	-	-	-	-	-
Less: tax-exempt income and nondeductible expenses	-	-	-	-	-	(53)
<b>Income (loss) attributable to common shareholders</b>	<b>(1,016,168)</b>	-	-	-	-	<b>(2,944)</b>

**EXHIBIT C****Description of Operations for the Controlled Non-Debtor Entities**

Name of Entity	Description of Operations
TZRC JV	Joint venture established to own and operate data center projects
MARA - CN 1	Cryptocurrency mining
ZG Compute	Cryptocurrency mining

**EXHIBIT D**

**Description of Claims between the Controlled Non-Debtor Entities**

Amounts reported within intercompany receivables (payables) in the accompanying Balance Sheets as of September 22, 2022 for the Controlled Non-Debtor Entities, represent amounts owed to (from) the Debtors from other entities included in the Compute North Holdings, Inc. consolidated financial statements (including Debtor or Controlled Non-Debtor Entities). The receivables (payables) arise from intercompany hosting fees related to the Debtors' self-mining business, project management services fees for operating sites, mining test transactions, and expense reimbursements. Such balances are typically settled on a periodic basis via cash transfers.

**EXHIBIT E**

**Description of Controlled Non-Debtor Entity's Payments of  
Administrative Expenses or Professional Fees Otherwise Payable by a Debtor**

The Controlled Non-Debtor Entities have not made any payments of administrative expenses or professional fees otherwise payable by a Debtor during the period covered by this Periodic Report.